

Message Text

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11

ACTION AF-18

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 PA-04 PRS-01 USIA-15 SCEM-02 INT-08 NEA-10

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R 240904Z OCT 73

FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 8796
INFO AMCONSUL CAPE TOWN
AMCONSUL JOHANNESBURG
AMCONSUL DURBAN

CONFIDENTIAL PRETORIA 3835

E.O. 11652: GDS
TAGS: ENRG, SF
SUBJ: PETROLEUM SITUATION AND REACTION IN SOUTH AFRICA

SUMMARY. PETROLEUM PRODUCTS PRICE INCREASE LIKELY BE APPROVED BY SAG SHORTLY AS RESULT CRUDE PRICE INCREASES. SAG OFFICIALS ALSO REFLECT CONCERN FOR REPERCUSSIONS ARAB STATES' PRODUCTION CUTBACK ANNOUNCEMENTS, ALTHOUGH SA'S RESERVE STORAGE IN OLD COAL MINES IN OGIES AREA PROBABLY EXCEEDS SIX MONTHS REQUIREMENTS. END SUMMARY.

1. OIL COMPANIES OPERATING IN SOUTH AFRICA HAVE BEEN SEEKING GOVERNMENT APPROVAL FOR FURTHER PRICE INCREASE FOR PRODUCTS SINCE AUGUST. (INCREASES OF 2.8 SA CENTS PER GALLON (4 LITRES) OF GASOLINE WERE GRANTED IN TWO INCREMENTS APPROXIMATELY YEAR AGO.) SAG HAD EARLY RESISTED COMPANIES' ARGUMENTATION BUT RECENT MIDDLE EAST OIL DEVELOPMENTS NOW REGARDED AS MAKING INCREASE INEVITABLE. PRESS REPORTS, OBVIOUSLY BASED ON SAG SOURCES DESIRING TO PREPARE THE PUBLIC, SUGGEST INCREASE OF UP

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TO 5.4 SA CENTS (U.S. 8.1 CENTS) PER GALLON GASOLINE.

CABINET COMMITTEE WAS SCHEDULED MEET TUESDAY, OCTOBER 23 TO REVIEW PRICING QUESTION AND STATEMENT BY ECONOMIC MINISTER MULLER EXPECTED WEDNESDAY.

2. IN ADDITION TO POSTED PRICE INCREASE, SOUTH AFRICANS ARE DISTURBED BY ANNOUNCED ARAB PRODUCTION CUTBACKS, AND RESPONSIBLE OFFICIALS CONTACTED ON OTHER MATTERS HAVE SOUGHT ANY NEWS OF POSSIBLE APPLICATION ARAB STATES' STATED INTENTIONS AND RAMIFICATIONS FOR OTHER SOURCES. AT SAME TIME, SA OBVIOUSLY IN RELATIVELY GOOD RESERVE SUPPLY SITUATION. SAG GUARDS PETROLEUM STATISTICS AS SECURITY MATTER; HOWEVER, FOLLOWING IS ESTIMATE OF SITUATION AS DERIVED FROM VARIETY SOURCES.

3. SA REFINING CAPACITY CURRENTLY ESTIMATED 390,000-400,000 BPD. COMPANY SOURCE PUTS INTERNAL MARKET CURRENTLY AT 80 MILLION BBLs PER YEAR OR ABOUT 220,000 BPD (OF WHICH 43 PERCENT MOTOR GASOLINE); INTERNATIONAL BUNKERS RUN 90,000 BPD.

4. OVER THE YEARS, SAG HAS SOUGHT MAXIMIZE ABOVE GROUND TANK STORAGE COMPATIBLE WITH COMPANIES' OPERATIONS BUT MAJOR EFFORT HAS BEEN PUT INTO PREPARING SERIES COAL MINE UNDERGROUND PASSAGES IN OGIES AREA FOR CRUDE OIL STORAGE TO BE PUMPED FROM PIPE LINE FROM DURBAN TO RAND. MINES WERE SURVEYED AND SEALING WORK SUPERVISED BY FENIX AND SCISSON, INC. OF TULSA: FIRST STORAGE PUMPING BEGAN APPROXIMATELY TWO YEARS AGO AND BY NOW IS ESTIMATED AT WELL OVER SIX MONTHS CRUDE FEED STOCK, POSSIBLY MORE. (INTERESTINGLY ENOUGH, SAG OFFICIALS TOLD COMPANY OFFICIAL RECENTLY THAT RESERVES AMOUNT TO ABOUT 70 DAYS. UNABLE AT THIS TIME TO RECONCILE THIS WITH COAL MINE STORAGE; HOWEVER, 70 DAY FIGURE POSSIBLY INCLUDES ONLY TANK STORAGE.)

4. PRIME MINISTER VORSTER, IN OCTOBER 22 ADDRESS TO NAT PARTY CONSTITUENTS, REVEALED HE HAD ORDERED PRINTING GASOLINE RATIONING COUPONS BUT STRESSED THIS ONLY PRECAUTIONARY. HE ACKNOWLEDGED OIL PRODUCT PRICES MIGHT HAVE TO GO UP BUT GAVE ASSURANCE THAT SA IN EXCELLENT RESERVE SUPPLY SITUATION, ALLUDING TO CRUDE OIL STORAGE. HE NOTED ALSO SAs RELATIVELY LOW RELIANCE ON PETROLEUM FOR ENERGY (26 PERCENT OF NEEDS),
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SASOL'S OIL FROM COAL PLANT (FOR WHICH EXPANSION PLANS JUST ANNOUNCED), AND STRENGTHENED RELATIONS WITH IRAN. HE ALSO CONCLUDED THERE NOTHING TO SUGGEST SA CURRENT SUPPLIED WOULD BE CUT OFF.

5. IRAN HAS BEEN PRINCIPAL SOURCE OF CRUDE FOR SOME TIME ALTHOUGH CARGOS FROM OTHER PERSIAN GULF SOURCES HAVE BEEN NOTED. IMPORT, GIVEN OGIES STORAGE PROGRAM, HAS BEEN IN

EXCESS CURRENT REQUIREMENTS FOR SOME TIME, PRESUMABLY GIVING
FAIR LATITUDE BEFORE DRAWING ON RESERVE STORAGE IF AVAIL-
ABILITIES ARE AFFECTED BY RECENT DEVELOPMENTS. IF CURRENT
DELIVERIES CRUDE ARE THREATENED, HOWEVER, SAG MIGHT WELL
CONSIDER RATIONING TO AVOID DEPLETING RESERVES IT HAS BUILT UP
AT CONSIDERABLE COST.

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